

# EXHIBIT 12

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## Sprawling Network Sold Madoff to Europeans

By THOMAS CATAN in Madrid and CASSELL BRYAN-LOW in London

Bernard L. Madoff won client money in Europe by mining a sprawling network of funds and wealthy individuals from Geneva to Milan and Madrid. As in Palm Beach, Florida, many contacts were made by word of mouth.

Geneva is emerging as a hub of fund-of-funds -- entities that invest in pools of hedge funds -- targeted by Mr. Madoff. Swiss bank Union Bancaire Privee, one of the world's biggest fund-of-funds, said about 1% of its assets, or \$1.25 billion, were exposed to the alleged Ponzi scheme run by the veteran New York money manager.

In Spain, wealthy families were brought into Mr. Madoff's plot through trusted members the country's financial aristocracy -- including relatives of Spain's banking patriarch, chairman of Banco Santander Emilio Botín.

M&B Capital Advisers -- which is run by Mr. Botín's son, Javier Botín-Sanz, and his son-in-law, Guillermo Morenés -- marketed funds that were part of Mr. Madoff's alleged fraudulent system to wealthy Spanish and Portuguese investors.

Through M&B, private and institutional investors bought more than €150 million in Mr. Madoff's funds, the firm said. But Mr. Morenés, who established a relationship with Mr. Madoff in the 1990s, never had any inkling that those funds were a sham, the firm added.

"There was not the slightest suspicion that this was a fraud," said M&B spokeswoman Pilar Trucios. According to M&B, its own private clients have an exposure of more than €37 million to the fraudulent assets.

Mr. Morenés is married to Ana Patricia Botín, who is executive chairman of Santander's Spanish unit Banesto and often mentioned as the leading candidate to succeed her 74-year-old father at the helm of Santander.

One of the biggest victims to have emerged so far has been Banco Santander SA, Europe's second-largest bank by market value. Its clients are exposed to Mr. Madoff's funds to the tune of €2.33 billion.

M&B said it hadn't acted as a broker for Santander or been the conduit for any of the Madoff funds that were bought by its clients. A Santander spokesman said the bank has no business relationship with M&B.

Social connections appear to have been another vehicle for Madoff funds in Spain. Andrés Piedrahita, the Colombian son-in-law of Fairfield Greenwich owner Walter Noel, sold Madoff funds to great number of wealthy Spaniards. Santander clients also had exposure to Fairfield through several funds offered by its private-banking arm, Banif, which were managed by Mr. Piedrahita.

Mr. Piedrahita arrived in Madrid several years ago with his wife -- Mr. Noel's daughter, Corina. The two have become fixtures on Spain's socialite circles and are seen at the parties of the wealthiest set. Some say the personal connections led many to overcome doubts about whether Mr. Madoff's assets could really perform as well as advertised.

Across Europe, trust seemed to have been a key ingredient in spreading the Madoff funds.

Now, however, the unraveling of Mr. Madoff's alleged Ponzi scheme is a big blow for the fund-of-fund industry, which charges investors fees in exchange for a promise of diversifying risk and screening managers for potential fraud.

To get to institutions such as fund-of-funds, Mr. Madoff generally used a network of ""feeder funds"" as sort of middlemen. Among these was Fairfield Sentry Ltd., managed by Fairfield Greenwich Group.

Representatives of the feeder funds would contact managers at the large, established fund-of-fund firms touting a 15-year track record of stellar returns. In many instances, feeder funds would team up with banks to sell to the banks own clients. In some instances, banks would lend money to investors putting money into Madoff-related funds.

For instance, Zurich-based NPB New Private Bank offered its fund-of-funds customers a structured product based on Fairfield Sentry Ltd., according to marketing materials and a person familiar with the matter. It was sold in conjunction with Nomura Holdings Inc., which investors \$2 for every \$1 invested in the structured product. NPB New Private Bank offered investors the ability to withdraw money daily from the structured product, a more frequent availability than many investment funds. Nomura yesterday said its exposure to Mr. Madoff to be about 27.5 billion yen, or about \$304 million.

In Italy, mutual lender Banco Popolare, through its unit Aletti Gestielle Alternative, said it has indirect exposure to Mr. Madoff through feeder funds included in its own funds of hedge funds. In a statement Monday Banco Popolare said that its maximum loss is no higher than €8 million. UniCredit said its own exposure is about €75 million. UniCredit's Dublin-based asset-management division Pioneer Investments has indirect exposure to Madoff through feeder funds.

Royal Bank of Scotland Group PLC, which has £400 million of Madoff-related exposure, said it made loans to a handful of funds through its trading operations in its London office, which then invested the money with Mr. Madoff's fund.

RBS believed it to be conservative, investing in only blue-chip companies, according to a person close to the matter.

HSBC Holdings PLC, meanwhile, said Monday it had \$1 billion of exposure, also through lending to ""a small number"" of funds which invested in Madoff. Barclays PLC says its exposures are ""minimal.""

Not everyone flocked to Mr. Madoff. Managers at some large fund-of-fund firms were immediately turned off by the lack of clarity about what the investment strategy was and the complex operational set up. One Swiss fund-of-fund manager said he couldn't get answers to basic questions such as how much assets in total were under management in Madoff-related funds.